

January 24, 2003

Honorable Mayor Bragg and Members of the City Council
City of Murfreesboro
Murfreesboro, Tennessee

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the City of Murfreesboro, Tennessee for the fiscal year ended June 30, 2002.

This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness for the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This Report is presented in five sections: Introductory, Financial, Supplemental, Statistical and Single Audit. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal City officials.

The financial section includes the management discussion and analysis (MD&A) and the basic financial statements, which are comprised of the government-wide financial statements, the fund financial statements and footnotes to the financial statements. Required supplementary information other than MD&A and the independent auditor's report on the financial statements and schedules are also presented. The supplemental section includes combining fund financial statements and individual fund schedules. The statistical section includes financial and demographic information usually presented on a multi-year basis that is relevant to a financial reader.

The government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular (A-133), *Audits of State and Local Governments*. Information related to this single audit, including the schedule of expenditures of federal awards and auditor's reports on the internal control structure as it relates to federal financial assistance and compliance with laws and regulations, are included in the single audit section of this report.

In June 1999 GASB issued GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for state and Local Governments* effective for the fiscal year ended June 30, 2002. This statement, known as the “Reporting Model” statement, affects the way the City prepares and presents financial information.

The intent of GASB 34 was to make the reports easier to understand and to make them more useful to the people relying on the information to make decisions.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the government. The City of Murfreesboro provides a full range of municipal services including police protection, fire protection, solid waste pickup, street lighting, street maintenance, traffic management, parks and recreation, municipal golf course, cable television, planning and engineering, codes enforcement, city court, airport and city beautification. In addition to the general government activities, the City operates the Murfreesboro Water and Sewer Department providing potable water and sanitary sewer treatment, the Murfreesboro Electric Department providing electric service, and Murfreesboro City Schools providing public schools for grades K-6. In conjunction with Rutherford County, the City operates the Linebaugh Public Library.

ECONOMIC CONDITION AND OUTLOOK

The City of Murfreesboro, the county seat of Rutherford County, is located at the geographic center of the State of Tennessee approximately 35 miles southeast of Nashville, the state capital. The City's corporate boundary encompasses approximately 41 square miles. The U. S. census conducted in 2000 indicated a population of 68,815 for a 53.2% increase over the 1990 U.S. Census which indicated a population of 44,922. Murfreesboro has experienced a greater amount of residential growth than any other municipality located in Rutherford County and is one of the fastest growing cities in the State.

In addition to residential growth, the City has experienced considerable commercial and industrial development during the past decade. This non-residential development is expected to continue for the next several years, particularly commercial growth, to serve the needs of the growing population. Murfreesboro is the home of Middle Tennessee State University (MTSU) and, with a student enrollment of over 20,000, it is perhaps the fastest growing public university in the State of Tennessee. The economic outlook for the City is excellent.

MAJOR INITIATIVES AND SERVICE EFFORTS

Administration

The day-to-day business of operating the city is the responsibility of the city manager, the chief administrator of the city appointed by the city council. Through various departments, he is responsible for providing and maintaining the essential services of the city. Acting in much the same way as a chief executive officer of a corporation, the city manager is concerned about the efficient and cost-effective operation of the city. Citizens require and depend upon the city for certain services; among them are fire and police protection, recreational facilities, parks, sanitation and streets. The city manager delegates responsibility and coordinates the many tasks performed daily by city employees.

A duty that is the direct responsibility of the city manager, however, is the preparation of the city's annual budget. The budget reflects the expected revenue and projected expenses for the ensuing year, and is the subject of public hearings. The city manager, in carrying out the responsibilities of fiscal planning and of other areas of city government, has the authority to appoint the heads of the various administrative departments and divisions.

Council determines policy and overall direction for the city through legislation, but execution of council's decisions is the paramount responsibility of the city manager.

During FY 02, the City Council conducted two community meetings. Additionally, Middle Tennessee Medical Center contracted with the City to purchase 68 acres along Manson Pike. The City also created the new Fleet Services Department to centralize the preventative maintenance and repairs of city vehicles and equipment. An agreement was reached with the Woodbine Community to provide an educational program to assist low and moderate-income persons in becoming mortgage-ready. The City placed six automated external defibrillators (AEDs) in City Hall, Senior Center, Old Fort Golf Course, Sports-Com, Barfield Crescent Park and Patterson Community Center. The City began a Spanish class for emergency responders. An emergency operations center was completed to serve as a central location for managing an event, such as a weather-related emergency.

Municipal Airport and Heliport

The City of Murfreesboro owns and manages the Murfreesboro Municipal Airport providing fuel services (Avgas and Jet A) and accommodations for aircraft with both tie-downs and t-hangars. During this period, the Airport received its seventh consecutive "Front Door" Award from the Tennessee Department of Economic and Community Development and Tennessee Division of Aeronautics. The Airport was also named the "2002 Most Improved Airport of the Year." The Airport was recognized for the various improvements it has made over the last few years to improve the facilities, safety, and operations. The Airport started to update its Airport Layout Plan (ALP). The Airport Layout Plan should be completed by early 2003. The Airport Commission also worked together with Middle Tennessee State University so that Federal Express could deliver and donate a Boeing 727-100 to the Middle Tennessee State University Aerospace Department. The 727 successfully landed at the Airport on May 7th with much fan fair. The 727 will be used to train students in the various programs in the Aerospace

Department. The aircraft will not be used for flight. The Grace Heliport completed its first year of service with great success. The Grace Heliport was a part of the 2001-2002 Airport Budget. As budgeted, the General Fund reimburses the Airport Fund for the annual maintenance expenses of the heliport.

Building and Codes

The Building and Codes Department is responsible for enforcing nationally recognized minimum public safety construction standards for new construction and alterations to existing construction. Inspection personnel are trained and certified by the State of Tennessee. During the FY 02, the department issued 1,053 permits (an increase of 7% from the previous fiscal year) for new single-family dwellings and 138 new multifamily dwelling units. The total valuation of all construction permitted was \$220.9 million (an increase of 5 1/2% from the previous fiscal year).

The Department is also responsible for enforcing minimum property maintenance standards for existing buildings and properties. During the 2001-2002 fiscal year, the department issued 1,206 correction notices (an increase of 21% from the previous fiscal year) for violations of the minimum property maintenance standards. This includes such violations as buildings in disrepair, overgrown grass, inoperable or unlicensed vehicles, and accumulation of rubbish.

The City's Building and Codes Director Betts Barbier Nixon serves as the president of the Tennessee Building Officials Association. Ms. Nixon has recently been appointed by the International Code Council to serve on the Board of Directors of the International Accreditation Service, which is establishing and implementing a national Building and Codes Department accreditation program.

Cable

The Murfreesboro Cable Television Department is responsible for managing Murfreesboro's government access cable channel (located on Comcast cable channel 3), administering cable television franchise agreements for the city, and assisting cable television subscribers in the city while resolving problems/complaints with Comcast.

During FY 02, City Channel 3 received a national award for Excellence in Government Programming for small communities by the Alliance for Community Media. Additionally during 2002, the department received two other awards for programs from the National Association of Telecommunication Officers and Advisors and the Greater Nashville Regional Council.

The department cablecast 114 city/county public meetings on City Channel 3 and oversaw a total of 426 first run/produced programs and videos, began programming the channel more extensively to include weekends. Also, new programming was added which included Murfreesboro's En Español as well as various informational programs such as the Annexation Process, the Community Development Block Grant, and Traffic Signalization. The department continued discussions and negotiations of the new cable television Ordinance and agreement, and reviewed and recommended a transfer of

ownership and control of the cable television system from Comcast to AT&T Comcast Corporation.

City Schools

The Murfreesboro City School System operates ten pre-K-6 public schools, has 5,850 students enrolled in addition to 200 preschool students, and a budgeted per pupil expenditure of \$6,636 for the 2001-2002 fiscal year. The system employs in excess of 1,000 full- and part-time employees.

The City System is known for innovation that brings about high achievement for children, evidenced by excellent test scores. All schools and the Central Office are accredited by the Southern Association of Colleges and Schools; the district maintains a 1:20 teacher-pupil ratio, the nationally recognized Extended School Program offers before- and after-school services to families who need those services; the district's MERIT program serves high achieving students; and all classrooms are technologically equipped as 21st Century classrooms.

The Murfreesboro City School System regularly partners with various universities in action research. In addition, the district collaborates with the Jennings Jones Foundation and Middle Tennessee State University to offer leadership, arts, and science/math/technology camps for graduated fourth and fifth graders.

The district has been the recipient of over four million dollars in grants during the past four years, including a 2.1 million dollar 21st Century Community Learning Centers grant which has provided additional after-school and summer services for children and their families.

The system has been recognized within the past two years with the following awards for model programs that improve student achievement and increase the quality of life for Murfreesboro's families: national urban school district winner of the Leadership for Learning Award by the American Association of School Administrators, national Community of Excellence designation by the Federal Interagency Council's Communities Can! organization, National School Boards Journal's Magna Award, Tennessee School Boards Association's Excellence in Education Award, and the state Department of Health's Healthy Kids Community Award.

Community Development

The Community Development Department's objective is to use the funding from the Community Development Block Grant program to provide decent, safe and sanitary housing for low-income families and households and provide a suitable living environment in the City. The programs are directed toward neighborhood revitalization, economic development and the provision of improved community facilities and services.

During FY 02 the Community Development Department assisted in the purchase of 8 homes by providing down payment and closing costs. It assisted the community by

helping remove substandard housing in that it rehabilitated 7 homes and demolished and rebuilt 5 homes. The department assisted in the prevention of crimes by providing funding for the STARS Program, which is an enrichment program designed to be a proactive prevention program targeted toward at-risk youth, especially those living in public housing and Section 8 homes. In FY 02, 42 youth and 8 mentors attended workshops, seminars and took tours of area businesses. They learned about jobs, what types are available and what education and background is required to obtain these jobs. They learned how to apply for employment and how to conduct themselves in an interview.

The Department also assisted in the prevention of child abuse by providing funding for one Family Services Coordinator who assisted 30 families and 26 children. Those targeted are young, low-income, unmarried mothers who at times do not have the know-how or the financial means to care for a baby or an infant. Classes are given to insure that the mother has the knowledge to properly take care of the baby. They are also helped with issues such as child support; GED or home schooling, Families First, Tenn-Care and other needed guidance.

The Department also works with the Homeless by administering the Emergency Shelter Grant and by working with the Homeless Task Force in planning & developing the homeless Continuum of Care and finding funding to implement the continuum. We had 10 meetings and applied for 2 grants, i.e. a Home Grant in the amount of \$473,151 and a Shelter Plus Care Grant for \$642,000.

The Department also provided partial funding for the Elderly Day Care Program carried out by the Senior Citizens Center.

Fire

The City of Murfreesboro has a full-time professionally staffed fire department and enjoys a Class 3 Insurance Services Office (ISO) fire rating. In FY 02, the department opened its new fire station on Runnymede Drive, put into service a new Pierce 85-foot Aerial Platform and held the third session of the Citizens Fire Academy. The City served as host for the Fire Inspector Conference, the Tennessee Advisory Committee on Arson Conference, and the Tennessee Public Fire Educator's Conference. The City of Murfreesboro adopted the 2000 Standard Fire Prevention Code. The Murfreesboro Fire Department (MFD) helped the Discovery House move the previously donated 1954 Oren fire engine to its new location. The MFD will be providing extrication for the City of Murfreesboro and has ordered extrication equipment and two new rescue trucks. Two automatic external defibrillators (AEDs) were purchased and are located on each service company. Mobile Data Terminals were installed in each fire engine so MFD personnel can receive information from dispatch and street locations. New computers have been purchased for each station and will connect through a Wireless Data Network. The MFD hosted a City of New York Firefighter in March 2002 as part of a promotion by the United States Conference of Mayors.

Fleet Services

The Fleet Services Department provides preventive maintenance, mechanical repairs and assistance to all departments regarding City owned and prospective vehicles. Fleet Services has three fully staffed garages. The Main Service Center services small trucks and automobiles that are non-diesel and smaller than 1 ton. The Solid Waste Shop services all garbage trucks, knuckle booms, the mulcher and street sweepers. The Heavy Equipment Shop services all diesel vehicles and trucks greater than 1 ton. The Fleet Services Department also services City emergency generators.

The Fleet Services Department hosted Automotive Service Excellence exams in March and November 2002. The Fleet Services Department conducted all City MARTA (Smog) testing for City vehicles. The Department hired 1 records keeper, and 4 mechanics in 2002.

Golf

Old Fort Golf Course

The City of Murfreesboro owns and operates the Old Fort Golf Course at Old Fort Park. During FY 02, approximately 47,500 players visited the course. Old Fort once again played host to the USGA Junior National Qualifier and the TSSAA State High School Golf Finals. The course participated in and expanded its natural areas in cooperation with the Audubon Society recommendations. Drainage work was performed in several areas of the course including fairways and greens. The course was recognized as the favorite place to play for the fourth year in a row by the local Ruthie Awards sponsored by the Daily News Journal.

Veteran's Administration Golf Course

The City maintains and operates a 9-hole course on the campus of the Veteran's Administration. The City has agreed to a three-year lease of the facility with hopes of a longer agreement in the future. The fairways were overseeded this year and the response of the golfers was very favorable.

Legal

The City's Legal Department has four full time lawyers providing legal services to all of the City's departments and is responsible for the Risk Management Department, which administers the Risk Management Fund, including self-insurance for worker's compensation, general liability and automobile insurance. This department consists of a Risk Manager and one support staff.

Parks and Recreation

The Murfreesboro Parks and Recreation Department is responsible for program planning and the operation and maintenance of the City's parks and recreation facilities. During FY 02, the department began renovation of McKnight Park 4-field baseball/softball complex. New lighting, irrigation system and central concession/restroom facility are included. Construction continues on three Wetlands Projects: Black Fox/Nickajack Trace, Oaklands Springs and Murfree Springs. Construction also continues on the

Patterson Park Campus Project. This project includes expansion and renovation of the existing community center, tennis & basketball courts, parking and allied facilities. A consulting firm has been chosen to design and engineer the 6½-mile extension of the Stones River Greenway from Old Fort Park to Barfield Crescent Park. Planning will take approximately one year, and construction is tentatively planned to begin in late 2003. A Master Plan for the 15-acre Siegel Educational/Recreational Park was also developed during FY 02.

The department received a Four-Star Award from the Tennessee Recreation and Parks Association for the Wild Things Program at Barfield Crescent Park. Deputy Director Lanny Goodwin received the 2001 Fellow Award from the Tennessee Recreation and Parks Association for outstanding service and contributions to the Parks and Recreation profession.

Personnel

In FY 02, the City of Murfreesboro Personnel Department received 2036 applications for 55 full-time positions and 1371 applications for 93 part-time positions. The Personnel Department worked with the Risk Management committee to recommend to the Mayor and members of the Murfreesboro City Council the implementation of Physical Ability Testing for the most physically demanding entry-level positions.

The City's Personnel Director served as president of the local Rutherford County Personnel Association for the past year.

Planning, Engineering, and G.I.S.

The Planning and Engineering Department is responsible for coordinating the physical development of the City. The G.I.S. Section of the department provides digital mapping services to all City departments. The Planning Section coordinates the agendas for the Murfreesboro Planning Commission, the Board of Zoning Appeals, and the Historic Zoning Commission and assures public input on a variety of issues including annexation, rezonings, R.O.W. actions, and ordinance amendments.

During the fiscal year the Planning Department reviewed 36 preliminary plats involving 1230 residential lots, 128 final plats involving 973 residential lots, and 93 site plans involving a variety of commercial and multiple family developments. The Planning Commission conducted public hearings on 60 items involving annexations, rezonings, and ordinance amendments and provided recommendations for each to the City Council.

The Board of Zoning Appeals conducted 62 public hearings to consider a variety of applications for variances of setback requirements, variances of the sign ordinance, and special use permits. The Historic Zoning Commission considered 13 applications for certificates of appropriateness. Also during the fiscal year of 2002 the department finalized the adoption of the Blackman Area Land Use Plan and the Salem Pike Land Use Studies.

The Engineering Department is currently involved in substantial efforts to improve existing roadways in conjunction with building new facilities to accommodate growth. City roadway projects completed in FY 2001-02 include:

- Saint Andrews Drive from Hwy 96 to MTEMC
- Thompson Lane widening from Memorial Boulevard to Northboro Court
- Cason Trail reconstruction from Cason Lane to River Rock Boulevard

City roadways let to bid in FY 2001-02 include:

- Rideout Lane Extension
- Sanbyrn Drive Widening from South Church Street to US 41
- Joe B. Jackson Parkway from I-24 to US 41
- Siegel Road Widening from Sulphur Springs Road to Thompson Lane
- Medical Center Parkway (phase 2)
- Saint Andrews Drive extension from Cason Lane to Hwy 99

The Engineering Department is additionally involved in a wide array of drainage projects. Most notably under design is the Salem Road Area Drainage Project that is intended to mitigate current drainage problems in the Samsonite Boulevard, Old Salem Road and New Salem Road Area.

Police

The Murfreesboro Police Department's (MPD) Information Systems personnel completed the installation of mobile data computers, modems and global positioning system (GPS) equipment in an additional 24 marked patrol cars and 13 fire vehicles. This places our Mobile Data Fleet at 122 vehicles in operation. The Emergency Operations Center (EOC) has been completed for telephone, networking and video services. The Police Record Management System (RMS) was replaced with an upgraded Windows SQL version. A Wireless Data Network project that connects all Fire Stations and Police Precincts to the Main Police Building has been designed, bid and awarded. The replacement of the Fire Record Management System (FRMS) with an upgraded Windows SQL version has been started.

The relocation of our Records Section to offices at 316 South Church Street was begun, with a target move date of late February 2003. Immediately following that move, work will begin on the renovation and expansion of space for a new Police/Fire Communications Center.

The Uniformed Division accomplished significant achievements during fiscal year 2002. The department received a Click It or Ticket Outstanding Achievement Award from the Governor's Highway Safety Office, one of nine agencies statewide to receive this recognition. Seat belt usage in Murfreesboro increased by 14% during the 2001 Click It or Ticket campaign. The division also purchased 4 new motorcycles and related equipment with funding from 2001 Law Enforcement Block Grant of \$103,962. Police

received \$67,032 in Highway Safety grants, which were used to purchase radar equipment, train personnel, improve our crash data records system, and fund overtime duty for traffic enforcement. A cooperative program was started with Middle Tennessee Medical Center in which the hospital distributes child passenger safety information provided by the department to the new parents class participants.

Following a number of collaborative work sessions between Murfreesboro Police and Murfreesboro City Schools officials, a *Code Red* school violence response plan was finalized. This process included lesson plans and training sessions designed to provide information on this program for children, parents and teachers.

The Criminal Investigations Division (CID) assisted the F.B.I. in several cases including the identification and the eventual arrest of a serial bank robbery suspect that had robbed several Middle Tennessee Banks, and the arrest of several suspects and the recovery of over \$150,000 worth of stolen digital cameras and computer parts from a LaVergne, Tennessee company.

The Vice Section has solved several major cases including the seizure of 5 Kilo's (over 13 pounds) of Cocaine and the arrest of four (4) out of state suspects. They have also been involved in street level narcotics and prostitution sting operations.

The MPD's Domestic Violence Section has received statewide recognition as an example for other Domestic Violence Sections to follow. They have made a strong commitment in providing training through the 16th Judicial District Domestic Violence Training Team.

Solid Waste

The Solid Waste Department provides once per week curbside garbage collection. The City of Murfreesboro provides this service using automated side loaders. The City of Murfreesboro has an agreement with BFI's Middle Point landfill for free disposal of garbage. In 2001, this agreement saved the City over \$900,000 in tipping fees.

The Murfreesboro Solid Waste Department provides curbside garbage and yard waste collection for the City. From January 1, 2001, through December 31, 2001 the Solid Waste Department diverted from the landfill 64,428 cubic yards of yard waste. Since January 1, 2002 through October 31, 2002 the Solid Waste Department has diverted 69,242 cubic yards of yard waste. This is 9.2% growth in yard waste collection. All yard waste collected goes to the City of Murfreesboro mulcher operation. The mulch that is generated is free to all residents of the City of Murfreesboro.

St. Clair Street Senior Center

The St. Clair Street Senior Center offers an array of services and activities for individuals 60 years of age and over at the facility located at 325 St. Clair Street. During the past year the Senior Center provided a record number of seniors 3,394 with 117,771 units of service in a variety of areas.

There were several highlights during the past year. The hours and staff for the Center sponsored Adult Day Care Program were expanded from three to five days a week to better serve employed caregivers.

In September 2001, the Senior Center received an Arts Build Communities Grant for \$2,550 which funded two series of two programs each “Celebrating the Cultural Heritage of Tennesseans.” Two hundred thirty three individuals enjoyed these events and gained a greater appreciation of the cultural diversity reflected in those who settled the state.

In April 2002, the Senior Center and the Nurse on Duty Program were presented with the Tenth Annual Research Award by the National Council on Aging’s National Institute of Senior Centers at the annual conference in Denver, Colorado. This award was for Outstanding Contributions in the Field of Senior Center Research. Nurse Judy Campbell completed this research project for measuring benefits for Center participants in a strength training program in the Senior Center setting.

Furnishings and equipment costing over \$150,000 for the remodeled portion of the building were received and set up.

Street

The Street Department is responsible for maintaining approximately 350 lane miles of streets and storm drainage systems located within the city. This work is performed in-house and through annual contracts with local construction companies. We anticipate performing approximately \$600,000 in storm drainage and sidewalk renovations this fiscal year. We also anticipate the paving of approximately 90 lane miles of streets through our annual contract with Hoover Inc. Last year our Right of Way Construction Coordinator issued 245 permits and based on our current rate of issuance, we should exceed this amount by 10-15 percent. The Department is involved in a \$219,000 annual contract with Tennessee Department of Transportation for the maintenance of state routes through the city. They are also preparing our storm mitigation equipment and vehicles in anticipation of response to extreme winter storms. Another function of this department is the installation of street signage in new subdivisions and replacement of missing or damaged signs.

Traffic

The Traffic department currently manages 94 signalized intersections of which 51 are currently interconnected and addressable from the Traffic Operations Center located at City Hall. As a supplement to the interconnected signals, the City has installed 19 closed circuit television cameras along arterial routes to assist in overall traffic management. The traffic camera video is transmitted via the local government cable TV channel during peak traffic hours to provide the motoring public information to assist in making informed travel decisions. This CCTV video is currently being configured to be added to the city’s web page.

Urban Environmental

The Urban Environmental Department maintains plants, flowers and trees on City properties and rights-of-way to improve the aesthetic environment of the City. The department also reviews landscape site plans, administers the tree ordinance and landscape ordinance. The department moved into its new offices and equipment garage located on Overall Street.

Water and Sewer

Capital Construction Projects

The Department purchased for \$ 3,675,000 the 408 acre John T. Coleman farm for the future disposal of repurified water from the wastewater plant.

Contracts were awarded for the following projects:

- W. L. Hailey Company for construction of the Overall Creek Interceptor Phase 2, Contract 5. The project consists of 15,300 feet of 15” and 18 “sanitary sewers. The project bid amount was \$2,013,280.50.
- To construct a 2 million gallon all concrete water storage tank was awarded to the Crom Corporation in the amount of \$4,299,614.
- Reconstruction of Siegel Road including water and sewer improvements was awarded to Rollins Excavating Company in the amount of \$1,594,753.
- Replacement of the DeJarnette Lane Pumping Station was awarded to W. Rogers Construction Company in the amount of \$1,835,817.40.
- Buchanan Interchange Sanitary Sewer was awarded to Civil Constructors, Inc in the amount of \$4,072,458.50.
- Elam Road Interchange Sanitary Sewer was awarded to Civil Constructors, Inc in the amount of \$1,310,473.00.
- County Farm Road Pumping Station and Force Main was awarded to Freitag Construction Company Inc in the amount of \$629,500.00
- Salem Highway Sanitary Sewer, pumping station and force main was awarded to Civil Constructors, Inc in the amount of \$2,920,664.25.
- Contract was awarded to Burgess Construction Company for the Osborne Lane Sanitary Interceptor Improvements in the amount of \$293,644.76.

Operation and Maintenance

- Replaced 6,170 LF of sanitary sewer on Academy, Hembree, State and College Streets.
- Replaced 10,941 LF of 2” cast iron/galvanized water line with 6” and 8” D.I. on Jetton, Academy, Hembree, Osborne Ln, State, Sadler Ct, Grandview, Eventide, Ridgecrest, and College Streets.
- Installed 15,850 LF of 1” and 2” copper water service lines.
- Installed 43 fire hydrants and upgraded water lines to increase fire protection capabilities to approximately 250 homes.
- Made approximately 284 water taps.
- Televised 337,180 LF of sanitary sewer.

- Cleaned and pressure washed 490,000 LF of sanitary sewer.
- Replaced 13 sanitary sewer manholes.

Water Treatment

The Stones River Water Treatment Plant has a peak capacity of 15.7 million gallons per day. Jordan Jones and Goulding has been contracted with to design the expansion of the Stones River Water Treatment Plant. In addition to increasing the treatment capacity to 20 million gallons per day the design will incorporate emerging technologies such as ultraviolet disinfection and membrane filtration to provide absolute barriers to biological and chemical contaminates.

Customer Service

New statement billing began February 14, 2002. The new statement is more informative and includes a return envelope for customer convenience. The statement allows more room to communicate information to the customer and has been well received by majority of customers. A new meter reading system was purchased that will enable future reading of meters via radio transmission. The system is now used in the manual read mode with some meters read via a touch pad. The customer service department ventured into the world of radio-read meters on a very small scale. Although still in the infancy stage, the system seems to be working without problems. Radio-read meters will enable us to solve some safety issues such as confined space entry and traffic problem areas. Radio-read meters can also contribute to elimination of worker injuries.

Engineering and Geographic Information

The GIS Department has provided information for inclusion on the City of Murfreesboro's web site in PDF format. These maps are provided to better inform the public about water and sanitary sewer systems in a timely manner.

Accounting System and Budgetary Control

In developing and maintaining the City's accounting system, consideration is given to internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard and provide reasonable assurance of proper recording of the financial transactions.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council.

Accounting System and Budgetary Control

Budget control has been established at the individual level. Financial reports are produced showing budget and actual expenditures by the line item and are distributed monthly to City departmental and divisional management and others upon request.

General Fund

The General Fund is used to account for expenditures of traditional government services as well as financial resources other than those required to be accounted for in other funds.

General fund revenues totaled \$58,014,372 in fiscal 2002, an increase of .20% from fiscal 2001. General property taxes produced 41.98% of general fund revenues compared to 39.37% last year. General fund increases and decreases over last year are shown in the following tabulation:

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2001</u>	<u>Percent Increase (Decrease) From 2001</u>
Property Taxes	\$ 24,355,979	41.98%	\$ 1,562,373	6.85%
Other Local Taxes	20,645,033	35.59	(155,836)	.75
Licenses, Permits, Fines	3,697,069	6.37	657,349	21.63
Inter-Governmental	6,609,556	11.39	(1,580,167)	(19.30)
Charges for Services	365,260	.63	280,985	333.41
Interest	304,120	.53	(372,969)	(55.08)
Miscellaneous	<u>2,037,355</u>	<u>3.51</u>	<u>(273,367)</u>	<u>(11.83)</u>
	\$ <u>58,014,372</u>	<u>100.00%</u>	\$ <u>118,368</u>	.20

General Fund expenditures for general government purposes totaled \$32,641,227, an increase of 6.35% from fiscal 2001. Increase (decrease) in levels of expenditures for major functions of the City over the preceding year are shown in the following tabulation:

Percent

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2001</u>	<u>Increase (Decrease) From 2001</u>
Administrative and General	\$ 9,168,864	28.09%	\$ 800,547	9.57%
Police and Fire Protection	15,485,916	47.44	592,805	3.98
Legal and Judicial	723,064	2.22	83,575	13.07
Personnel	316,453	.97	(24,812)	(7.27)
Streets	2,303,089	7.06	(162,378)	(6.59)
Planning & Engineering	1,397,471	4.28	320,615	29.77
Sanitation			(66,863)	(100.00)
Other	1,188,272	3.64	253,060	(27.06)
Building Inspections	750,636	2.30	34,219	4.78
Urban Environmental	311,391	.95	1,788	.58
Public Health, Safety & Other	<u>996,071</u>	<u>3.05</u>	<u>116,272</u>	<u>13.22</u>
	<u>\$ 32,641,227</u>	<u>100.00%</u>	<u>\$ 1,948,828</u>	<u>6.35</u>

Capital Project Funds

Proceeds of General Obligation Bond issues are accounted for in Capital Project funds until improvement projects are completed. During 2002, a total of \$15,084,657 was expended on projects including street and drainage improvements, traffic improvements, parks, recreation, and general facilities.

Water and Sewer System

The City's water and sewer system continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	<u>2002</u>	<u>2001</u>
Gross revenues including interest earned	\$ 17,929,723	\$ 17,497,224
Operating expenses, excluding depreciation and including operating transfers	9,899,664	9,875,658
Income available for debt service	8,030,059	7,621,566
Coverage (revenue available for debt service divided by annual debt service)	5.29	5.29

Electric System

The City's electric system also continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	<u>2002</u>	<u>2001</u>
Gross revenues including interest earned	\$ 67,984,679	\$ 68,260,667
Operating expenses, excluding depreciation and including operating transfers	62,924,428	62,610,100
Income available for debt service	5,060,251	5,650,567
Coverage (revenue available for debt service divided by annual debt service)	4.30	4.35

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens, and investors. This data for the City of Murfreesboro for the last two fiscal years are presented in the following tabulation:

	<u>2002</u>	<u>2001</u>
General and Contractual Obligation Bond Debt	\$ 16,770,000	\$ 21,170,000
Ratio of net bonded debt to assessed value	1.17%	1.72%
Net bonded debt per capita	\$ 180.51	\$ 265.54

Cash Management

Cash temporarily idle during the year was invested in bank savings accounts, certificates of deposit, and U.S. Government Securities. The City's investment policy is to invest with the safety of principal, liquidity, yield, maturity, and quality being of primary importance. All deposits were insured by federal depository insurance or collateralized. All collateral on the deposits was held in the Tennessee Bank Collateral Pool.

Risk Management

During the fiscal year ended June 30, 1988, the City initiated a Self-Insured Retention program in order to deal with the potential liabilities. As of the end of the fiscal year, it was estimated that the loss reserve was \$2,557,272, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2002, the risk management fund had fund equity of \$2,564,090.

Employee Health Plan

The City maintains an employee health plan for employees and dependents which is self-insured by the City. Revenues are recognized from payroll deductions from employees and from the City contributions for employee coverage. The plan is administered by Blue Cross/Blue Shield of Tennessee. The City has excess coverage on individual claims over \$500,000 and on claims for transplant surgery.

As of the end of the fiscal year, it was estimated that the loss reserve was \$197,395, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2002, the employee health insurance fund had fund equity of \$452,652.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by the State Comptroller's Office or by a certified public accountant. The City engaged the firm of Jobe, Hastings & Associates, Certified Public Accountants, to perform the 2001-2002 audit. The auditor's report has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Murfreesboro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Murfreesboro has received a Certificate of Achievement for the last three consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. Appreciation is expressed to City employees throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

Roger G. Haley
City Manager

James B. Penner
City Recorder/Finance Director

Melissa B. Wright, CPA
Assistant City Recorder/Chief Accountant